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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2014 to 30 June 2015

Report of the Independent Audit Advisory Committee

Summary

The present report contains the comments, advice and recommendations of the Independent Audit Advisory Committee on the proposed budget of the Office of Internal Oversight Services under the support account for peacekeeping operations for the period from 1 July 2014 to 30 June 2015.

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I. Introduction

1. The Independent Audit Advisory Committee presents herein its comments, advice and recommendations to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2014 to 30 June 2015. The report is submitted in accordance with paragraphs 2 (c) and (d) of the Committee's terms of reference (General Assembly resolution 61/275, annex).

2. The Committee has a responsibility to examine the workplan of OIOS, taking into account the workplans of the other oversight bodies, and to advise the Assembly thereon, to review the budget proposal of the Office, taking into account its workplan, and to make recommendations to the Assembly through the Advisory Committee. The Committee undertook its review of the OIOS workplanning process and the proposed budget for OIOS under the support account for peacekeeping operations for the period 1 July 2014 to 30 June 2015 during its twenty-fourth and twenty-fifth sessions, held from 11 to 13 December 2013 and from 19 to 21 February 2014, respectively.

3. The Committee appreciates the efforts of the Office of Programme Planning, Budget and Accounts and OIOS in providing the Committee with the relevant documents for consideration. OIOS also provided supplementary information in response to various questions from the Committee.

II. Background

4. The proposed OIOS budget under the support account for peacekeeping operations for the period from 1 July 2014 to 30 June 2015 is estimated at $30,966,600 (gross), which represents an increase of $1,758,800 (gross), or 6 per cent, over the prior year's approved budget of $29,207,800 (gross). The increase is attributed to post resources, information technology, and facilities and infrastructure. The post-related costs increased by 7.9 per cent, from $20,908,500 to $22,555,600, owing, inter alia, to the proposed conversion of eight general temporary assistance positions to regular posts. Consequent to the proposed conversion, the proposed requirement for general temporary assistance resources has decreased by 1.3 per cent, from $6,002,400 to $5,927,300. With the exception of general temporary assistance, the major decrease in the non-post costs was the reduction in the consultant-related costs.

5. The proposed financial resources for OIOS for 2014/15 as compared with 2013/14 are provided in table 1.

Table 1
Financial resources
(Thousands of United States dollars)

			Variance	
	Approved 2013/14	*Proposed 2014/15*	*(United States dollars)*	*(Percentage)*
Internal Audit Division	17 232.4	17 894.5	662.1	4
Inspection and Evaluation Division	996.9	963.6	-33.3	-3
Investigations Division	10 273.8	11 182.3	944.5	9
Executive Office	740.7	926.2	185.5	25
Total	**29 207.8**	**30 966.6**	**1 758.8**	**6**

Note: Budget figures provided by the Office of Programme Planning, Budget and Accounts, Peacekeeping Financing Division.

6. The Committee recognizes that the consideration of the OIOS budget proposals with regard to the specific grade level of OIOS posts and requests for non-post resources is more appropriately within the remit of the Advisory Committee on Administrative and Budgetary Questions. The review, comments and advice of the Independent Audit Advisory Committee will therefore focus on the scope of its own terms of reference with respect to the workplanning and budgeting process of OIOS. In accordance with its terms of reference, the Committee will submit the present report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. Arrangements will be made to interact with the Advisory Committee to discuss the contents of the report.

III. Comments of the Independent Audit Advisory Committee

A. Internal Audit Division

7. In the reports issued since its inception, the Independent Audit Advisory Committee has made a number of recommendations relating to the workplanning and budgeting process of the Internal Audit Division. The recommendations have included, inter alia, that OIOS employ more capacity gap analysis in its work as a whole so as to ensure that resources are allocated adequately to achieve its mandate; that OIOS ensure that workplan implementation is considered as high priority since resources are allocated based on the expectation that workplans will be fully implemented; that OIOS, in developing key performance indicators, consider incorporating qualitative indicators to supplement the quantitative ones; and that OIOS refine its risk-based workplan so as to capture high-risk areas such as procurement. The Committee notes that the Division has implemented most of these recommendations such as capacity gap analysis and workplan implementation. The Committee also notes that the Division continues to employ residual risk as the basis for its workplan.

8. The Internal Audit Division is the largest of the three divisions of OIOS and represents close to 58 per cent of the OIOS budget under the support account. A

substantial portion of the Committee's deliberations and discussions therefore continues to be devoted to the Division's workplan and budget.

Internal Audit Division workplan

9. The Committee was informed that OIOS discussed the draft audit workplan with each programme manager and that each programme manager will be provided with the final version of the workplan. Accordingly, as shown in table 2, the Committee was informed that the Internal Audit Division plans to undertake 100 audit assignments related to peacekeeping operations. That workload is based on the assumption that the Division will operate at full capacity. However, according to OIOS, factoring in the expected Division vacancy rate would allow the Division to carry out 90 assignments compared with 85 planned during the previous period. OIOS has indicated that it will continue to consult with management during the period, monitor the risks identified in the missions and, if required, revise the workplan on the basis of emerging risks and priorities.

Table 2
Trends in the number and distribution of Internal Audit Division assignments

	Fiscal year				*Variance between 2013 and 2014*	
Focus area	*2011*	*2012*	*2013*	*2014*	*Number of assignments*	*(Percentage)*
Logistics	13	16	19	28	9	47
Programme and project management	12	17	13	16	3	23
Property and facilities management	7	5	15	9	-6	-40
Safety and security	14	4	7	6	-1	-14
Human resources management	10	4	8	17	9	113
Financial management	5	6	10	12	2	20
Governance and strategy	8	10	1	0	-1	-100
Information technology	3	3	3	10	7	233
Procurement	1	6	9	2	-7	-78
Total	**73**	**71**	**85**	**100**	**15**	**20**

Thematic and stand-alone audits

10. OIOS continues to demonstrate progress in the implementation of some of the recommendations made by the Committee. In paragraph 8 of its report (A/65/329), the Committee noted that OIOS could add value to its oversight work by conducting more audits of cross-cutting and systemic issues, i.e., thematic audits. The Committee therefore recommended that "in preparing its workplan, OIOS place greater emphasis on audits of cross-cutting issues ... in order to identify prevalent systemic issues that need to be addressed by management as a priority".

11. For 2014/15, OIOS indicated that it had identified several high-risk cross-cutting areas that it plans to concentrate its effort on, including the implementation of Umoja, air operations, conduct and discipline, and a follow-up audit of waste management. As table 3 shows, almost half of the assignments will be thematic

engagements. According to OIOS, priority was given to such thematic engagements, leaving the remaining resources to be allocated to stand-alone audits as appropriate. **The Committee commends the Internal Audit Division for the effort it is putting into thematic audits. The Committee will continue to monitor this matter in future reports.**

Table 3
Types of Internal Audit Division assignments planned for 2014/15, by focus area

	Number of assignments		
Focus area	*Thematic*	*Non-thematic*	*Total*
Logistics	11	18	29
Programme and project management	3	11	14
Property and facilities management	6	1	7
Safety and security	3	4	7
Human resources management	13	4	7
Financial management		6	6
Governance and strategy		1	2
Information technology	8	2	10
Procurement		2	2
Contingent-owned equipment and other entitlements	5	1	6
Other		1	1
Total	**49**	**51**	**100**

Risk-based workplanning and capacity gap analysis

12. In paragraph 26 of its report (A/64/652), the Committee recommended that the Internal Audit Division adopt and implement a more robust plan to prepare audit workplans that are based on residual risk. In paragraph 12 of its report (A/66/85), the Committee acknowledged that the audit of key controls should lead to the determination of the residual risks faced by the Organization, and looked forward to receiving future budgets of OIOS based on residual risk.

13. OIOS subsequently reported to the Committee that the Internal Audit Division now uses a residual risk-based workplan as the basis for allocating its budgetary resources. Thus, with regard to the current resource request, the Committee was informed that the Division's annual workplan was based on a residual risk-ranked audit universe of auditable entities.

14. OIOS indicated that in developing its workplan, consideration was given to the residual risk, and any related oversight activities performed by the Board of Auditors and the Joint Inspection Unit. On this basis, OIOS said that the Internal Audit Division had sufficient resources to provide adequate coverage to peacekeeping operations, except for the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA); hence, the Division was requesting six new posts (representing a conversion of the six general temporary assistance posts approved pursuant to General Assembly resolution 68/259).

15. The Committee recalls its previous recommendation that OIOS refine its risk-based workplan so as to better capture high-risk areas such as procurement. As shown in tables 2 and 3, in the 2014/15 fiscal year, the Internal Audit Division plans to undertake only two audits specifically focused on procurement-related matters as stand-alone assignments. The Committee sought clarifications in this regard and was informed that significant resources covering the largest peacekeeping missions were allocated to the higher-risk areas of procurement in the 2013/14 fiscal year. OIOS also indicated that other audits will touch on aspects of procurement as part of a larger set of audited issues. However, the Committee still believes that doing so few audits with procurement as the central focus implies that procurement as a core management function was not considered a high risk that could benefit from a thematic audit. The Committee further believes that treating procurement as a high-risk area is all the more imperative since the Board of Auditors, in sections 5 and 6 of its report (A/68/5, Vol. II) highlighted several deficiencies in procurement and contract management that require the attention of management. During the deliberations, OIOS informed the Committee that procurement was one of the thematic topics slated for consideration in fiscal years 2015 and 2016.

16. **Having considered the workplan of the Internal Audit Division and taking into account the previous recommendations and clarifications from OIOS, the Independent Audit Advisory Committee endorses the budget proposal, which involves an increase in the number of posts by six, from 86 to 92, as a result of the creation of MINUSMA.**

B. Inspection and Evaluation Division

Workplan implementation and budget proposal

17. In paragraph 19 of its report (A/66/737), the Independent Audit Advisory Committee recommended that OIOS ensure that workplan implementation is a high priority, since resources are allocated in the expectation that workplans will be fully implemented. In paragraph 24 of its report (A/67/772), the Committee recommended that the Inspection and Evaluation Division ensure that it completed reports in a timely manner if such reports were to be of relevance to decision makers. These sentiments were echoed in the recently concluded external review by OIOS of the Division. OIOS told the Committee that the Division was undertaking three evaluation assignments: evaluation of standing police capacity; evaluation of United Nations protection of civilians in peacekeeping; and evaluation of the protection from sexual exploitation and abuse. The Committee was informed that the three evaluation assignments were on schedule to be completed by 30 June 2014.

18. At the time of the initial review of the budget submission during the twenty-fourth session of the Independent Audit Advisory Committee session, held in December 2013, OIOS indicated that the Inspection and Evaluation Division had not yet finalized its workplan as it was still refining its risk-based analysis. OIOS provided the Committee with the Division's risk analysis and workplan during the twenty-fifth session of the Committee, held late in February 2014.

19. In its prior reports, the Independent Audit Advisory Committee recommended that OIOS carry out a capacity gap analysis to determine its appropriate staffing and other resource requirements. During the discussion with OIOS, the Committee was informed that the requested budget of the Inspection and Evaluation Division would

not cover all the high-risk areas identified by OIOS. In addition, the request would cover none of the medium- or low-risk areas, although audit coverage might address some of those areas.

20. The Committee looked at the overall resources available to the Inspection and Evaluation Division and recalled its previous observation that to evaluate programmes funded from the regular budget, with a total expenditure of about $5.31 billion,[1] the Division had 23 posts at its disposal. However, with respect to peacekeeping operations, whose expenditure during last fiscal year was about $7.54 billion,[2] the Division had only three posts. The Committee was informed that although staff constraints were a problem, OIOS did not ask for additional resources.

21. **While endorsing the continuation of the three posts to carry out the identified assignments, the Independent Audit Advisory Committee is concerned that the requested staffing level is not sufficient to address all the identified high-risk areas.**

C. Investigations Division

22. In paragraph 29 of its report (A/66/737), the views expressed by the Independent Audit Advisory Committee on the level of resources for the Investigations Division were contingent upon paragraphs 37 and 38 of General Assembly resolution 63/287 regarding the restructuring of the Division; the finalization of the report on the pilot project on the investigation centres in Nairobi, Vienna and New York; the status of vacancies in the Division; and the outcome of the independent review of the Division. Having taken into account these issues, the Committee, in paragraph 36 of its report (A/68/772), endorsed the restructuring, which was subsequently endorsed by the General Assembly in resolution 67/287. During the deliberations, the Committee was informed that recruitments/transfers were under way to facilitate the implementation of the resolution.

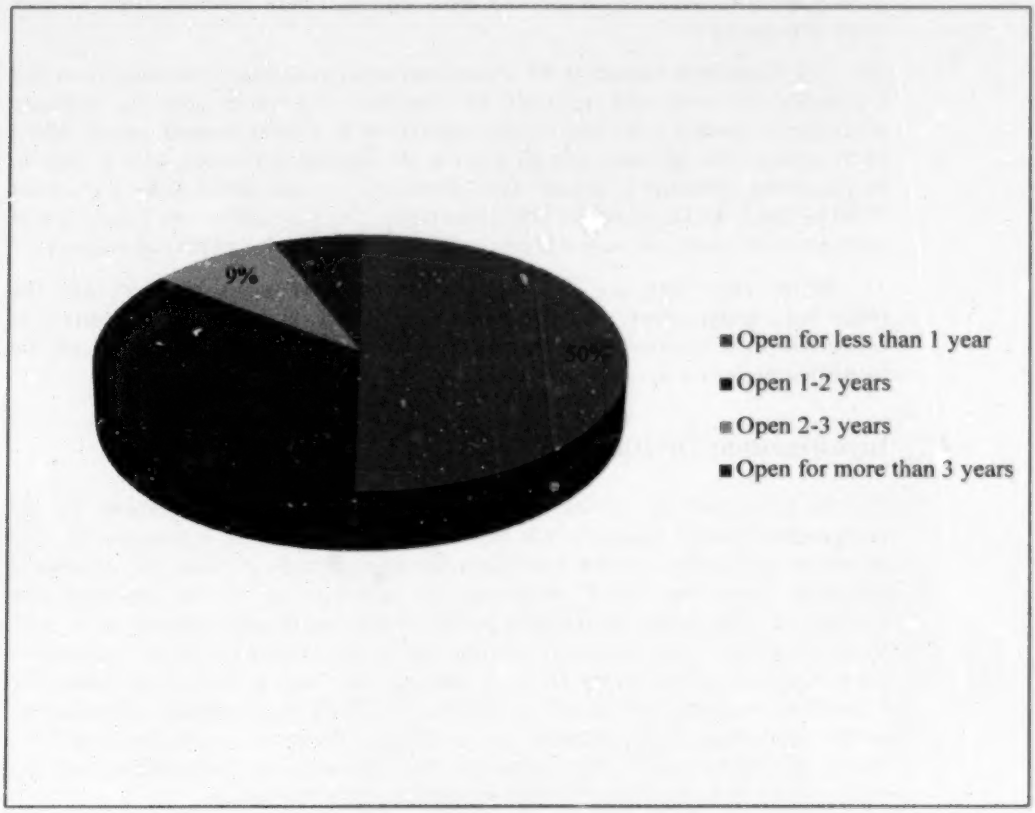
Workplan implementation

23. Recalling its previous concerns over the delays in completing investigation assignments, the Investigations Division informed the Committee of the improvements in reducing the number of carry-over assignments. Specifically, as at 30 September 2013, the number of carry-over assignments had declined from 256 at the beginning of the year to 171 cases. OIOS also indicated that of the 171 open cases, 50 per cent had been open for less than one year, 35 per cent were between one and two years old and 9 per cent had been open between two and three years, while 6 per cent had been open for more than three years (see figure).

[1] Based on a figure of $10.63 billion in total expenditure for the biennium ended December 2011. See *Official Records of the General Assembly, Sixty-seventh Session* (A/67/5 (Vol. I) and Corr.1 and 2), chap. II.

[2] See *Official Records of the General Assembly, Sixty-seventh Session* (A/67/5 (Vol. II)), chap. II.

Summary of all open cases



24. **The timely completion of investigations has been a long-standing concern of the Independent Audit Advisory Committee. The Committee stressed to OIOS that for half of the cases to be open for more than one year is still not an acceptable position, underscoring the need for OIOS to show progress in this area. More recently, OIOS has said that it is taking action to address this problem beginning with collecting the data needed to understand the major causes of the time it takes to complete a high-quality investigation. The Committee is encouraged by this critical step — but it is only a first step — in identifying and implementing specific improvements in the efficiency, quality and timeliness of investigations.**

Workplan and resource requirement

25. The Committee was informed that the workplan for the Investigations Division had historically been defined by the need to strengthen the investigation function while maintaining the current level of productivity within the resources provided by the General Assembly. OIOS informed the Committee that the Division's 2014 workplan aims to move to a more risk-based methodology, strengthen the Division and enhance productivity by encompassing three comprehensive goals: a very clear focus on fraud in high-risk operations; implementation of the restructuring of the

Investigations Division based substantively on information garnered from the pilot project; and the completion of the implementation of recommendations of the OIOS independent expert panel review of the Investigations Division.

26. In paragraph 71 of its report (A/68/273), the Committee expressed concern with the slow progress regarding the establishment of a proactive investigation unit and urged OIOS to demonstrate concrete developments in this area in its future workplans. During subsequent discussions, the Committee was informed that the Proactive Risk Unit had started operating. In addition, a separate initiative, known as the Risk Management Unit, was formed under the auspices of the Somalia country team to assess the programmatic risk faced by all United Nations entities operating within Somalia. The OIOS Investigations Division subsequently attached a liaison officer to the Risk Management Unit and promptly identified cases warranting further investigation. As an example of the work developed from this liaison, the Investigations Division uncovered significant fraud in donor-funded programmes in the United Nations Assistance Mission in Somalia, where in one contract 79 per cent of the contract value was considered fraudulent or unsubstantiated. The Committee was informed that OIOS intends to replicate the concept of embedding a liaison officer in other Risk Management Units in other missions, including in Afghanistan and Mali, for which OIOS is requesting two additional general temporary assistance positions. **The Committee welcomes both the Proactive Risk Unit and the establishment of Risk Management Units in high-risk field missions and looks forward to further positive results in this regard.**

Anticipated caseload

27. The Independent Audit Advisory Committee was informed that given the largely reactive nature of the cases dealt with by the Investigations Division, it is always a challenge to estimate the volume of matters that the Division will address in the course of any reporting period. OIOS further stated that the five-year trend shows an annual intake of approximately 600 matters, with some 150 of them resulting in investigations, the remaining matters being subject to referral to other entities, validation, or filed for information. As in previous years, OIOS expects that most of the investigations will pertain to financial and personnel matters (at least 60 per cent), while procurement and sexual exploitation and abuse will each comprise less than 15 per cent.

28. **Having considered the move to a more proactive and risk- based workplan, the resource requirements of the Investigations Division and the need for progress in addressing the delays in completing investigations notwithstanding, the Independent Audit Advisory Committee endorses the requested Investigations Division resource level, which includes the creation of two additional general temporary assistance positions to support MINUSMA.**

IV. Conclusion

29. The members of the Independent Audit Advisory Committee respectfully present the present report containing its comments and recommendations for consideration by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

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Chair, Independent Audit Advisory Committee

(*Signed*) John F. S. **Muwanga**
Vice-Chair, Independent Audit Advisory Committee

(*Signed*) Natalia A. **Bocharova**
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